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The Director of Central Intelligence

Washington, D.C. 20505

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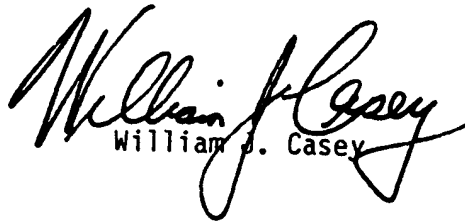
26 February 1986

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MEMORANDUM FOR: The Honorable Paul A. Volcker  
Chairman, Federal Reserve System

SUBJECT: Mexican Financial Problems

The attached Estimate on implications of Mexico's financial and economic difficulties paints a bleak picture indeed. Even a substantial financial bailout by the international community is only likely to buy the Mexican government more time. Without a decision by the PRI to undertake massive economic reform, which is unlikely, I fear the political situation in Mexico will deteriorate badly over the next 2 to 3 years with major implications for a wide variety of US concerns ranging from narcotics traffic, to illegal migration, to the very stability of the Mexican government itself. Furthermore, if other LDC debtors come to feel that Mexico is getting a bailout with little genuine reform or, for that matter, is able to take unilateral action without apparent serious penalty, some will likely attempt to follow suit.

  
William J. Casey

## Attachment:

SNIE 81-86: "Implications of Mexican  
Financial Problems"

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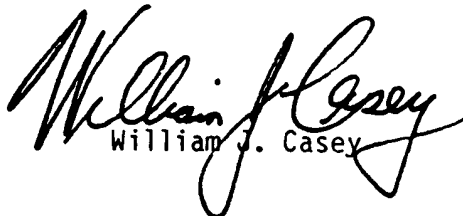
Washington, D. C. 20505

26 February 1986  
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MEMORANDUM FOR: The Honorable Caspar W. Weinberger  
The Secretary of Defense

SUBJECT: Mexican Financial Problems

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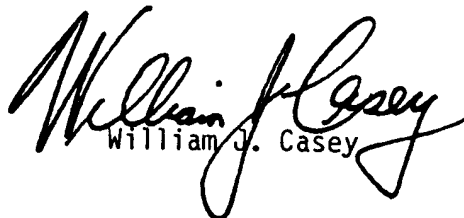
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26 February 1986

MEMORANDUM FOR: The Honorable Donald T. Regan  
Chief of Staff to the President

SUBJECT: Mexican Financial Problems

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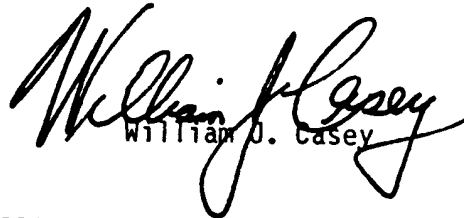
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MEMORANDUM FOR: The Honorable James A. Baker, III  
The Secretary of Treasury

SUBJECT: Mexican Financial Problems

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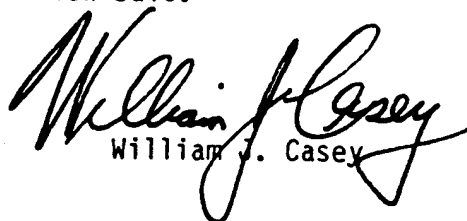
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26 February 1986

MEMORANDUM FOR: VADM John M. Poindexter  
Assistant to the President for National  
Security Affairs

SUBJECT: Mexican Financial Problems

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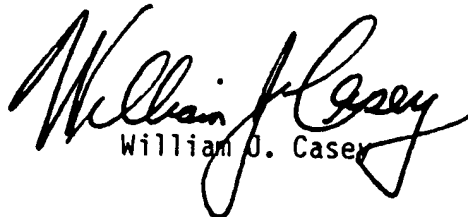
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MEMORANDUM FOR: The Honorable George P. Shultz  
The Secretary of State

SUBJECT: Mexican Financial Problems

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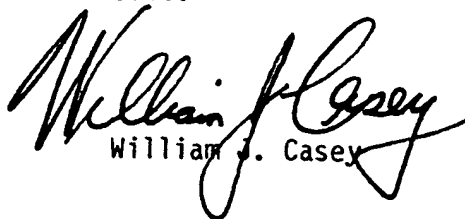
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26 February 1986

MEMORANDUM FOR: The Vice President

SUBJECT: Mexican Financial Problems

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